U.S. and Oklahoma Economic Update

First National Bank Advisory Board
March 22, 2022

Chad Wilkerson
Vice President, Economist, and Oklahoma City Branch Executive

*The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
The “Fed” consists of three main entities:

- **Board of Governors**: 7 members appointed by U.S. President
- **Federal Reserve Banks**: 12 total; semi-independent by design
- **Federal Open Market Committee**: 19 members; 12 voting

Primary responsibility areas:

- Monetary policy
- Bank regulation
- Financial services
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity

- Functions and purposes ~ 50 staff
  - Research on U.S. and Oklahoma economies; energy sector and business survey focus
  - Examinations of Oklahoma financial institutions (~45 banks, ~175 holding cos.)
  - Risk analysis and IT development for bank exams; exam assistance for other Fed offices
  - Community development programming for low/moderate income groups, workforce focus
  - Economic education and public outreach programming

- 2022 OKC Fed Branch Board of Directors
  - Katrina Washington (chair), Owner/Broker, Stratos Realty, Oklahoma City
  - Walt Duncan, President, Duncan Oil Properties, Oklahoma City
  - Rhonda Hooper, President & CEO, Jordan Advertising, Oklahoma City
  - Susan Plumb, Chair & CEO, Bank of Cherokee County, Tahlequah
  - Brady Sidwell, Principal, Sidwell Strategies, Enid
  - Chris Turner, President & CFO, First State Bank, Oklahoma City
  - Dana Weber, Chair & CEO, Webco Industries, Sand Springs
Overview

• Further Fed rate increases are expected in 2022, along with the end of asset purchases, in order to combat inflation

• Oklahoma’s population grew more in 2021 than any year since 2015, despite a big increase in deaths, due to in-migration

• Businesses are optimistic about future growth, though input price increases and supply chain issues remain

• Employment continues to slowly recover in Oklahoma, but a gap remains compared to pre-pandemic, especially in energy
GDP recovered strongly in 2021, including in Q4, with solid growth also expected in 2022

Change in Real GDP

Percent change

- Real GDP
- Range
- Median Projection

Current (Q4 2021): 7%
March Projection

Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC
U.S. unemployment remains historically low and is projected to remain very low in coming years.

Current (Feb. 2022): 3.8%

March Projection

Note: Data and FOMC projections are for year-end.

Sources: U.S. Bureau of Labor Statistics, FOMC
High inflation rates are expected to ease by year-end as pandemic related disruptions begin to improve.

Current Overall PCE (Jan. 2022): 6.1%
Current Core PCE (Jan. 2022): 5.2%

Note: Data and FOMC projections are for year-end.
Sources: Bureau of Economic Analysis, FOMC
Most inflation pressure has been in goods, food and energy, but services prices are also rising

*Goods excluding Food; Services excluding Energy.
Note: Relative Importance as Share of CPI shown in parenthesis.

Sources: BLS/Haver Analytics
Several rate increases are now expected in 2022 and following years.

Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC
The Fed’s asset purchases will also level off in coming months.

Federal Reserve Balance Sheet

Source: Federal Reserve Board
In-migration to Oklahoma drove state population growth in 2021, despite a historic increase in deaths

Oklahoma Population Changes by Component, 2001-2021

Sources: U.S. Census Bureau
Oklahoma ranked in the bottom half of states in natural population growth but top 25% in domestic in-migration.
Deaths outnumbered births in 2020 and 2021 in Oklahoma, a significant shift from the last 100 years.

Source: Oklahoma State Department of Health
The number of jobs in Oklahoma is still down, despite record low unemployment

**Non-Farm Payroll Employment**

- U.S.
- Oklahoma

**Unemployment Rate**

Source: U.S. Bureau of Labor Statistics
Energy jobs in Oklahoma are still down the most, by far, while transportation jobs have grown
Despite some slowdown in recent months, regional manufacturing and services outlooks are very strong.

**KC Fed Manufacturing Survey**

- Index, 3mma
- 6 month Expectations
- Employment
- Production

**KC Fed Services Survey**

- Index, 3mma
- 6 month Expectations
- Employment
- General Sales/Revenue

Source: FRBKC Surveys
Nearly all firms reported higher input prices through February, but some expect fewer increases in the future.

Survey Price Indexes

Net share of firms reporting higher index prices vs. a year ago

Source: FRBKC Surveys
Retail and workplace mobility improved early in March after dropping, and spending held up in early 2022.

Oklahoma Google Mobility Data
Percent change from Jan 3-Feb 6, 2020
- Retail and Recreation
- Workplaces

Oklahoma Credit Card Spending
Percent change, from Jan. 2020
- Accommodation and food service
- Arts and entertainment
- Total

Note: All series shown on 7-day moving average.
Sources: Affinity, Google Mobility Data/Track the Recovery
Farm real estate in Oklahoma and the District has been strong, and commodity prices have increased.
Oil and natural gas prices have risen considerably, and remain highly profitable for most regional firms.

Sources: EIA/Haver Analytics, FRBKC Energy Survey
Regional energy activity continued to increase through Q4 2021, with a solid outlook for future growth.
Renewable energy has grown as a share of total electricity generation for OK and surrounding states.
Summary

• Further Fed rate increases are expected in 2022, along with the end of asset purchases, in order to combat inflation.

• Oklahoma’s population grew more in 2021 than any year since 2015, despite a big increase in deaths, due to in-migration.

• Businesses are optimistic about future growth, though input price increases and supply chain issues remain.

• Employment continues to slowly recover in Oklahoma, but a gap remains compared to pre-pandemic, especially in energy.
Questions?

RECEIVE REGULAR UPDATES ABOUT
Oklahoma’s economy

For more analysis of the Oklahoma economy, regional manufacturing conditions and regional energy conditions, subscribe to receive e-mail alerts from the KANSAS CITY FED.

Visit kansascityfed.org/ealert to subscribe!